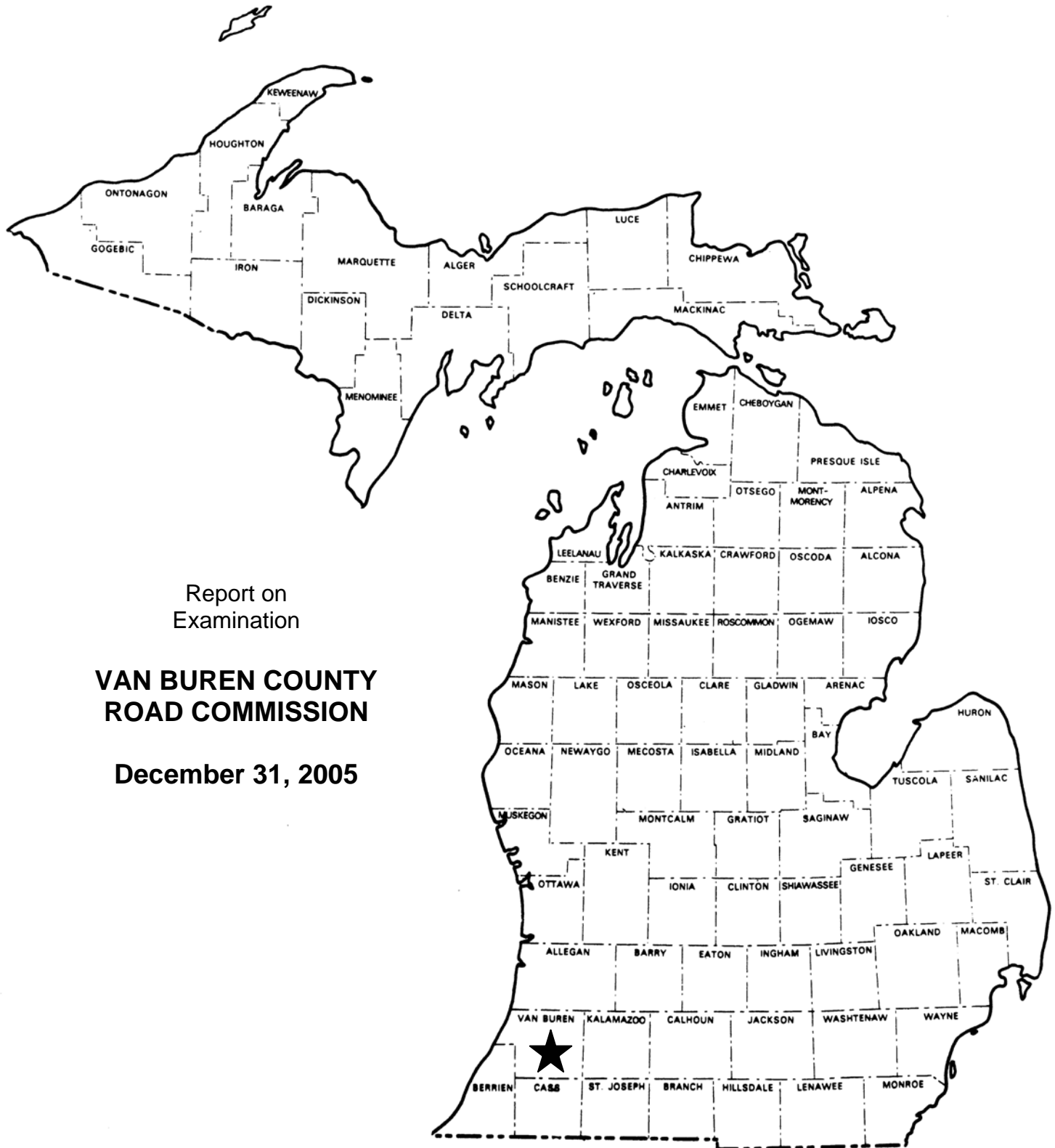


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



VAN BUREN COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

William D. Rhodes
Chairman

Jean A. Stein
Vice Chairman

John Roosevelt
Member

Lawrence B. Hummel
Engineer/Manager

Gregory M. Pardike
Secretary/Accountant

COUNTY POPULATION--2000
76,263

STATE EQUALIZED VALUATION--2005
\$3,226,778,996



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 3, 2006

Van Buren County Road Commission
Board of County Road Commissioners
300 James Street
P.O. Box 156
Lawrence, Michigan 49064

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Van Buren County Road Commission, a component unit of Van Buren County, Michigan, as of and for the year ended December 31, 2005, as listed in the Table of Contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Van Buren County Road Commission as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis Section and the budget comparison information included in Exhibits I and J are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board and generally accepted accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2006 on our consideration of the Road Commission's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grant agreements' noncompliance with which could have a direct and material effect on the financial statement amounts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Van Buren County Road Commission, taken as a whole. The accompanying supplemental and related information in Exhibits K through M is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

VAN BUREN COUNTY ROAD COMMISSION

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VAN BUREN COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Van Buren County Road Commission, we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended December 31, 2005. This annual report includes financial statements that present both a short and long-term view of the Road Commission's activities.

Overview of the Financial Statements

The Road Commission's financial statements consist of four parts: Management's Discussion and Analysis (this section is intended to provide a basis of understanding the Road Commission's basic financial statements); government-wide financial statements; fund financial statements; and, notes to the financial statements. Supplementary information is also provided for additional informational purposes.

- The first two statements are government-wide financial statements that provide information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. The current year's revenues and expenses are accounted for in the statement of activities, regardless of when funds are received or paid. The government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities. This is one way to measure the Road Commission's financial health.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

Government-Wide Statements

The Statement of Net Assets presents information on all of the Road Commission's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as an indicator of the Road Commission's overall fiscal position.

The Statement of Activities presents information to show how the Road Commission's net assets changed during the most recent fiscal year as compared to previous year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

Both of the financial statements distinguish the function of the Road Commission which is principally supported by State Shared Revenues (Operating Grants). The governmental activities of the Road Commission include providing construction and maintenance of roads and bridges, as well as contracted work on State trunklines within Van Buren County.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Road Commission has no legally separate component units for which the Road Commission is financial accountable. In this report, financial information for the Road Commission is reported separately from the financial information presented for Van Buren County, which reports the Road Commission as a component unit.

The government-wide financial statements can be found beginning on Page 10.

Fund Financial Statements

A "Fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Road Commission is accounted for in only one fund which is the General Operations Fund.

Governmental funds focus on the in-flow and out-flows of money and the balances left at year end that are available for expenditures. This fund is reported using an accounting method called "modified accrual accounting," which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are less or more financial resources that can be spent in the near future to finance the Road Commission's services.

Because the focus of the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the General Fund and the government-wide statements.

The Road Commission maintains one governmental fund (General Operating Fund). Information is presented in the General Operating Fund balance sheet and in the General Operating Fund statement of revenues, expenditures, and changes in fund balances for the Road Commission. The General Operating Fund is a major fund for financial reporting purposes as defined by GASB Statement No. 34. The Road Commission does not maintain proprietary funds and has one Pension Trust Fund (fiduciary fund).

The Road Commission adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

Notes to the Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the Road Commission's financial statements.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Information. In addition to the basic financial statements and accompanying notes, this analysis also presents certain required supplementary information. This is limited to this Management Discussion and Analysis.

Financial Highlights

Net assets may, over time, enable governmental agencies to determine their overall fiscal position. As shown on the Van Buren County Road Commission Net Asset Schedule, the Road Commission's assets exceeded liabilities by \$53,831,963 at the end of the calendar year.

Restricted County Road net assets increased \$197,442 during 2005. The primary reason for the increase was due to a decrease in program expenses. The Capital Assets-Net of Related Debt increased by \$2,445,934 primarily due to new infrastructure and net capital outlay expenditures for Road Commission operations.

Net assets as of year ended December 31, 2005 is as follows:

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>Percent</u>
Assets				
Current and Other Assets	\$ 5,898,150	\$ 6,059,636	\$ 161,486	2.74%
Capital Assets	<u>47,415,172</u>	<u>49,833,491</u>	<u>2,418,319</u>	<u>5.10%</u>
Total Assets	<u>53,313,322</u>	<u>55,893,127</u>	<u>2,579,805</u>	<u>4.84%</u>
Liabilities				
Long-Term Debt Outstanding	324,329	294,162	(30,167)	-9.30%
Other Liabilities	<u>1,800,706</u>	<u>1,630,000</u>	<u>(170,706)</u>	<u>-9.48%</u>
Total Liabilities	<u>2,125,035</u>	<u>1,924,162</u>	<u>(200,873)</u>	<u>-9.45%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	47,358,781	49,804,715	2,445,934	5.16%
Restricted for County Road	<u>3,829,506</u>	<u>4,027,248</u>	<u>197,742</u>	<u>5.16%</u>
Total Net Assets	<u><u>\$ 51,188,287</u></u>	<u><u>\$ 53,831,963</u></u>	<u><u>\$ 2,643,676</u></u>	<u><u>5.16%</u></u>

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

A summary of changes in net assets for the year ended December 31, 2005, is as follows:

	Governmental Activities		Variance Increase (Decrease)	%
	2004	2005		
Program Revenue				
License and Permits	\$ 525	\$ 600	\$ 75	14.29%
Federal Grants	485,466	498,146	12,680	2.61%
State Grants	6,466,980	6,148,794	(318,186)	-4.92%
Contributions From Local Units	2,959,007	3,124,104	165,097	5.58%
Charges for Services	252,096	560,344	308,248	122.27%
Contributions From Private Sources	322,509	986,514	664,005	205.89%
Reimbursements	23,733	711	(23,022)	-97.00%
Interest and Rents	41,943	101,544	59,601	142.10%
General Revenue				
Taxes	1,669,422	1,577,932	(91,490)	-5.48%
Gain on Equipment Disposal	182,092	113,903	(68,189)	-37.45%
Insurance Recovery		47,614	47,614	-100.00%
Total Revenue	<u>12,403,773</u>	<u>13,160,206</u>	<u>756,433</u>	<u>6.10%</u>
Expenses				
Public Works	9,614,949	10,513,926	898,977	9.35%
Interest Expense	<u>13,418</u>	<u>2,604</u>	<u>(10,814)</u>	<u>-80.59%</u>
Total Expenses	<u>9,628,367</u>	<u>10,516,530</u>	<u>888,163</u>	<u>9.22%</u>
Increase (Decrease) in Net Assets	2,775,406	2,643,676	(131,730)	-4.75%
Beginning Net Assets	<u>48,412,881</u>	<u>51,188,287</u>	<u>2,775,406</u>	<u>5.73%</u>
Ending Net Assets	<u>\$ 51,188,287</u>	<u>\$ 53,831,963</u>	<u>\$ 2,643,676</u>	<u>5.16%</u>

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Funds distributed to Van Buren County for road and highway purposes.

	12/31/04 Operating Fund	12/31/05 Operating Fund	Favorable (Unfavorable) Variance	Variance Percent %
Revenue				
Taxes	\$ 1,669,422	\$ 1,577,932	\$ (91,490)	-5.48%
Permits	526	600	74	14.07%
Federal Grants	485,466	498,146	12,680	2.61%
State Grants	6,466,980	6,148,794	(318,186)	-4.92%
Contributions From Local Units	2,959,007	3,124,104	165,097	5.58%
Charges for Services	252,096	560,344	308,248	122.27%
Interest and Rents	41,942	101,544	59,602	142.11%
Other Revenue	528,334	1,101,128	572,794	108.42%
Total Program Revenues	<u>12,403,773</u>	<u>13,112,592</u>	<u>708,819</u>	<u>5.71%</u>
Expenditures				
Public Works (Road)	10,244,544	11,607,140	1,362,596	13.30%
Capital Outlay	1,041,582	1,327,657	286,075	27.47%
Debt Service	<u>206,218</u>	<u>30,219</u>	<u>(175,999)</u>	<u>-85.35%</u>
Total Expenditures	<u>11,492,344</u>	<u>12,965,016</u>	<u>1,472,672</u>	<u>12.81%</u>
Excess of Revenue Over (Under) Expenditures	<u>911,429</u>	<u>147,576</u>	<u>(763,853)</u>	<u>-83.81%</u>
Other Financing Sources				
Insurance Recoveries	<u>-</u>	<u>47,614</u>	<u>47,614</u>	<u>100.00%</u>
Fund Balance--Beginning	<u>3,186,015</u>	<u>4,097,444</u>	<u>911,429</u>	<u>28.61%</u>
Fund Balance--Ending	<u>\$ 4,097,444</u>	<u>\$ 4,292,634</u>	<u>\$ 195,190</u>	<u>4.76%</u>

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt

As of December 31, 2005, the Road Commission had invested \$49,833,492 in capital assets. This amount represents a net increase (including additions and deductions) of \$2,418,320 or 5.10% as follows:

	2004	2005	Percent % Change
Nondepreciating Assets			
Land and Improvements	\$ 68,269	\$ 68,269	0.00%
Land/Right-of-Way	24,429	24,429	0.00%
Infrastructure Improvements	8,595,537	9,981,120	16.12%
Subtotal	8,688,235	10,073,818	15.95%
Depreciating Capital Assets			
Land Improvements	93,694	93,694	0.00%
Depletable Assets	234,078	234,078	0.00%
Buildings	1,908,899	1,968,764	3.14%
Equipment	7,940,178	8,447,535	6.39%
Yard and Storage	182,595	182,595	0.00%
Infrastructure	56,757,147	58,409,656	2.91%
Subtotal	67,116,591	69,336,322	3.31%
Total Capital Assets	75,804,826	79,410,140	4.76%
Accumulated Depreciation			
Improvements, Depletable, Buildings	(732,203)	(813,011)	11.04%
Equipment	(6,314,366)	(6,316,375)	0.03%
Infrastructure--Roads and Bridges	(21,343,085)	(22,447,262)	5.17%
Total Accumulated Depreciation	(28,389,654)	(29,576,648)	4.18%
Total Net Capital Assets	\$ 47,415,172	\$ 49,833,492	5.10%

This year's major capital asset additions included the following:

Reconstruction of Bridges (by Location)	\$ 177,885
Various Resurfacing Projects and Related Land/Right-of-Way	4,864,289
Trucks/Equipment	1,267,792
Building and Improvements	59,865
Total Additions	<u>\$ 6,369,831</u>

There were no installment purchase agreements entered into during 2005, all the equipment was acquired with Road Commission funds.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

At the year end, the Road Commission had \$28,776 in installment purchase agreements versus \$56,391 last year, a decrease of \$27,615 or 48.97% as shown below:

	<u>2004</u>	<u>2005</u>	<u>Variance</u>	<u>%</u>
Installment Purchase Agreements	<u>\$56,391</u>	<u>\$28,776</u>	<u>\$27,615</u>	<u>48.97%</u>
Total	<u>\$56,391</u>	<u>\$28,776</u>	<u>\$27,615</u>	<u>48.97%</u>

Other obligations include accrued vacation pay and sick leave. More detailed information about the Road Commission's long-term liabilities is presented in Note F to the financial statements.

BUDGETARY AND FINANCIAL ANALYSIS

Budget

The Road Commission amended its 2005 budget during the year to reflect changes in revenues and expenditures from the time of the original planning and budgeting. Examples include securing Federal or State revenue sources for specific road and bridge projects, township revenues, and corresponding requests for maintenance projects, winter operations related to weather (ice and snow), or fuel prices for equipment operations.

The actual revenues recognized for 2005 were \$78,332 higher than the final amended budget and the actual expenditures recognized for 2005 were \$227,348 lower than the final amended budget.

Financial Position

The overall financial position for 2005 improved as is evident by an increase in overall net assets of \$2,643,376, as well as an increase in the Road Commission Operating Fund Balance. The increase of \$195,190 to the fund balance was the combination of projected decreases in Michigan Transportation Fund revenues, county-wide road millage, and State targeted grants; exceeded by decreases in expenses of labor and associated costs, overhead, projects funded with targeted State funds; and an increase of township projects funded by township contributions. Most notable increases occurred in equipment-related expenses and projected increases to capital outlay expenditures.

During 2005, there was no new debt. One remaining installment purchase agreement will be completed in the first quarter of 2006, reducing debt to zero at that time. The Road Commission anticipates new debt for 2006 estimated to be \$5,000,000 for the construction of a new combined storage facility and maintenance garage at the Lawrence location.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

It is also worth noting that noncore Road Commission activities, such as Michigan Department of Transportation programed nonroutine maintenance and private contractor construction of subdivisions (infrastructure), account for overall net increases to revenues and expenditures in 2005 of almost \$1,000,000. These two activities accounted for approximately 10% of Act 51 expenditures in 2005.

ECONOMIC OUTLOOK FOR 2006

Michigan Transportation Fund (MTF) Revenues

As FY2005 brought a 2% decrease, MTF revenues are expected to remain relatively stable (possible decrease in 2006 of another 1% to 2%). The economic condition of the state and the local economy do not provide for any vision of "relief" due to increased MTF collections. The fairly "flat" revenues provide a continually shrinking confine for the Road Commission due to yearly increases in labor and equipment costs.

Township Revenues--Revenue Sharing

The townships have provided over \$3.1 million of their funds for preservation and structural improvement projects, mostly at their discretion. The current economic climate of Michigan will, most likely, lead to continued decreases in the township's revenue sharing monies. Many townships have approved special local millage dedicated for road improvements. Currently 13 of the 18 townships in Van Buren County have their own road millage.

Tax Revenues

A substantial source of funding for the Road Commission has been the collection of a county-wide millage over the last 28 years. Beginning in 2005, approximately \$435,000 out of an estimated \$2.0 million was distributed directly to the cities and villages of the county. The millage rate was "reset" to its original rate of 1.00 mill replacing the previous 0.8753 mill which reduced revenue from this source of funding by approximately 5.5%. The current millage will be in effect for four (4) years beginning with the 2004 levy. A slight growth of tax revenue is expected due to an increase in the county-wide taxable value for the duration of the tax levy.

Expenditures

Continued emphasis will be placed on economy and productivity within the organization. The Road Commission will maintain the ability to continue routine and special maintenance operations, but reductions may occur in primary and in local road preservation and structural improvement expenditures in direct relation to budgetary constraints.

VAN BUREN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

This financial report is designed to provide a general overview of the Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Engineer-Manager, Lawrence B. Hummel, P.E., Van Buren County Road Commission, 325 West James Street, P.O. Box 156, Lawrence, Michigan 49064.

**VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 2005**

EXHIBIT A

ASSETS

Cash	\$ 12,413
Investments	2,492,616
Accounts Receivable	
Taxes	1,630,000
Sundry Accounts	33,435
State--Trunkline Maintenance	33,809
Michigan Transportation Fund	952,747
Due on County Road Agreements	109,799
Inventories	
Road Materials	577,153
Equipment Parts and Materials	217,664
Capital Assets (Net of Accumulated Depreciation)	<u>49,833,491</u>
Total Assets	<u>55,893,127</u>

LIABILITIES

Current Liabilities	
Accounts Payable	37,330
Due to State of Michigan	2,605
Accrued Liabilities	93,067
Performance Bonds Payable	4,000
Deferred Revenue	
Property Taxes	1,630,000
Noncurrent Liabilities	
Installment Purchase Agreements Payable--Due Within One Year	28,776
Vested Employee Benefits Payable	<u>265,386</u>
Total Liabilities	<u>2,061,164</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	49,804,715
Restricted for County Roads	<u>4,027,248</u>
Total Net Assets	<u><u>\$ 53,831,963</u></u>

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 1,719,580
Local Road Maintenance	4,039,089
State Trunkline Maintenance	539,206
Net Equipment Expense	309,447
Net Administrative Expense	800,897
Infrastructure Depreciation	3,108,259
Compensated Absences	(2,552)
Interest Expense	2,604
	<hr/>
Total Program Expenses	10,516,530
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	600
Charges for Services	560,344
Rents and Royalties	3,558
Operating Grants and Contributions	
Michigan Transportation Funds	6,126,572
Investment Earnings	97,986
Reimbursements	711
Contributions From Local Units	1,264,476
Capital Grants and Contributions	
Federal Grants	498,146
State Grants	22,222
Contributions From Local Units	1,859,628
Contributions From Private Sources	986,514
	<hr/>
Total Program Revenue	11,420,757
	<hr/>
Net Program Revenue	904,227
	<hr/>
General Revenue	
Taxes	1,577,932
Insurance Recovery	47,614
Gain on Equipment Disposal	113,903
	<hr/>
Total General Revenues	1,739,449
	<hr/>
Change in Net Assets	2,643,676
	<hr/>
Net Assets	
Beginning of Year	51,188,287
	<hr/>
End of Year	\$ 53,831,963
	<hr/>

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2005**

EXHIBIT C

**GOVERNMENTAL
FUND TYPE**

General
Operating
Fund

ASSETS

Cash	\$ 12,413
Investments	2,492,616
Receivables	
Taxes	1,630,000
Sundry Accounts	33,435
Due From State	
Trunkline Maintenance	33,809
Michigan Transportation Fund	952,747
Due on County Road Agreements	109,799
Inventories	
Road Materials	577,153
Equipment Parts and Materials	217,664
Total Assets	<u>\$ 6,059,636</u>

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts Payable	\$ 37,330
Due to State	2,605
Accrued Liabilities	86,453
Other Accrued Liabilities	6,614
Performance Deposits Payable	4,000
Deferred Revenue--Taxes	1,630,000
Total Liabilities	<u>1,767,002</u>
Fund Equities	
Fund Balance	
Reserved for Inventory	794,817
Unreserved and Undesignated	3,497,817
Total Fund Equities	<u>4,292,634</u>
Total Liabilities and Fund Equities	<u>\$ 6,059,636</u>

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND
BALANCE TO THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2005**

EXHIBIT D

Total Governmental Fund Balance	\$ 4,292,634
---------------------------------	--------------

Amounts reported for governmental activities in the Statement of Net Assets are
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,833,491
--	------------

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(294,162)</u>
---	------------------

Net Assets of Governmental Activities	<u><u>\$53,831,963</u></u>
---------------------------------------	----------------------------

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2005**

EXHIBIT E

	<u>Operating Fund</u>
Revenues	
Taxes	\$ 1,577,932
Permits	600
Federal Grants	498,146
State Grants	6,148,794
Contributions From Local Units	3,124,104
Charges for Services	560,344
Interest and Rents	101,544
Other Revenue	<u>1,101,128</u>
Total Revenues	<u>13,112,592</u>
Expenditures	
Public Works	11,607,140
Capital Outlay	1,327,657
Debt Service	<u>30,219</u>
Total Expenditures	<u>12,965,016</u>
Excess of Revenues Over (Under) Expenditures	147,576
Other Financing Sources (Uses)	
Insurance Recoveries	<u>47,614</u>
Total Other Financing Sources (Uses)	<u>47,614</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	195,190
Fund Balance--January 1, 2005	<u>4,097,444</u>
Fund Balance--December 31, 2005	<u><u>\$ 4,292,634</u></u>

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2005**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ 195,190

Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.

5,526,578

Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets.

27,615

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and infrastructure depreciation)

(3,105,707)

Change in Net Assets of Governmental Activities \$ 2,643,676

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS--FIDUCIARY FUND
December 31, 2005**

EXHIBIT G

	<u>Pension Trust</u>
 <u>ASSETS</u>	
Investments at Fair Market Value	
US Government, Agencies, and Corporate Securities	\$ 1,901,517
Money Market Funds	100,127
Common Stocks	2,732,523
Accrued Income	<u>328</u>
 Total Assets	 <u>4,734,495</u>
 <u>LIABILITIES</u>	
 Total Liabilities	 <u>-</u>
 <u>NET ASSETS</u>	
 Held in Trust for Pension Benefits	 <u><u>\$ 4,734,495</u></u>

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION
CHANGES IN NET ASSETS--FIDUCIARY FUND
For the Year Ended December 31, 2005

EXHIBIT H

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ 331,912
Other Receipts	<u>197</u>
Total Contributions	<u>332,109</u>
Investment Income	
Interest and Dividends	193,292
Realized Gain (Loss) From Sale of Investments	60,160
Net Appreciation (Depreciation) in Fair Value of Investments	<u>45,286</u>
Net Investment Income (Loss)	<u>298,738</u>
Total Additions	<u>630,847</u>
Deductions	
Benefit Payments	297,332
Administrative and Other Expenses	<u>21,076</u>
Total Deductions	<u>318,408</u>
Change in Net Assets	312,439
Net Assets Held in Trust for Pension Benefits--January 1, 2005	<u>4,422,056</u>
Net Assets Held in Trust for Pension Benefits--December 31, 2005	<u><u>\$ 4,734,495</u></u>

The Notes to Financial Statements are an integral part of this statement.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

The accounting policies of the Van Buren County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Van Buren County Road Commission.

NOTE A--REPORTING ENTITY

The Van Buren County Road Commission, which was established pursuant to the County Road Law Michigan Compiled Laws (MCL) 224.1, is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the county's approval and the tax levy is subject to county board of commissioner's approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Van Buren County Road Commission, a component unit of Van Buren County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund money distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Van Buren County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt; or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Cash and Investments

Cash is considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable

The property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The 2005 taxable valuation of the Van Buren County amounted to \$2,429,719,169, less \$796,167,451 for renaissance zones, cities, villages and other adjustments on which ad valorem taxes of .9903 mills were levied for the Road Commission for road construction purposes for a total of \$1,630,000.

The county's 2005 ad valorem tax is levied and collectible on December 1, 2005, and is reported as taxes receivable and is offset by deferred revenue at December 31, 2005.

Inventories

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Van Buren County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Road Commission's tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing operations.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities in the Operating Fund Statement of Net Assets

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the board of county road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (manager) prepares and submits a proposed operating budget to the board for its review and consideration. The board of county road commissioners conducts a public budget hearing and, subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

NOTE D--CASH DEPOSITS AND INVESTMENTS

Michigan Compiled Laws 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH DEPOSITS AND INVESTMENTS (Continued)

subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated two banks for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

	Operating Fund	Pension Trust	Total
Cash	\$ 12,413		\$ 12,413
Investments	2,492,616	\$ 4,734,495	7,227,111
Total	<u>\$ 2,505,029</u>	<u>\$ 4,734,495</u>	<u>\$ 7,239,524</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 12,113
Investments in Money Market, Common Stocks, and Government Operating Money Market	7,227,111
Petty Cash and Cash on Hand	<u>300</u>
Total	<u>\$ 7,239,524</u>

The bank balance of the Road Commission's deposits is \$345,714, of which \$100,000 is covered by Federal depository insurance.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to money markets and investments related to pension benefits.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2005, the Road Commission had the following investments:

	Reported Amount (Fair Value)
Investments	
US Government, Agencies, and Corporate Securities	\$ 1,901,517
Money Market Funds	2,592,743
Common Stocks	2,732,523
Accrued Income	328
	<hr/>
Total Primary Government	<u><u>\$ 7,227,111</u></u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Road Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

The following is a summary of the changes in capital assets:

	Account Balances 01/01/05	Additions	Deductions	Account Balances 12/31/05
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 68,269			\$ 68,269
Infrastructure Right of Ways	24,429			24,429
Infrastructure Land Improvements	8,595,537	\$ 1,385,583		9,981,120
Subtotal	8,688,235	1,385,583	\$ -	10,073,818
Capital Assets Being Depreciated				
Land Improvements	93,694			93,694
Buildings and Improvements	1,908,899	59,865		1,968,764
Road Equipment	7,683,460	1,245,335	758,030	8,170,765
Shop Equipment	89,390	3,781		93,171
Office Equipment	78,525	13,013	1,170	90,368
Engineers' Equipment	88,803	5,663	1,235	93,231
Yard and Storage	182,595			182,595
Depletable Assets	234,078			234,078
Infrastructure--Traffic Signals	134,629			134,629
Infrastructure--Bridges	7,442,660	177,885		7,620,545
Infrastructure--Roads	49,179,858	3,478,706	2,004,082	50,654,482
Total	67,116,591	4,984,248	2,764,517	69,336,322
Less Accumulated Depreciation				
Land Improvements	14,755	3,405		18,160
Buildings	604,999	40,078		645,077
Road Equipment	6,052,619	708,156	738,895	6,021,880
Shop Equipment	67,591	4,450		72,041
Office Equipment	59,668	7,607	1,040	66,235
Engineers' Equipment	65,018	9,484	1,235	73,267
Yard and Storage	69,470	13,482		82,952
Depletable Assets	112,449	37,325		149,774
Infrastructure--Traffic Signals	61,216	8,975		70,191
Infrastructure--Bridges	2,315,148	151,812		2,466,960
Infrastructure--Roads	18,966,721	2,947,472	2,004,082	19,910,111
Total	28,389,654	3,932,246	2,745,252	29,576,648
Net Capital Assets Being Depreciated	38,726,937	4,984,248	3,951,511	39,759,674
Total Net Capital Assets	\$ 47,415,172	\$ 6,369,831	\$ 3,951,511	\$ 49,833,492

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS (Continued)

Depreciation expense charged to programs of the Road Commission is as follows:

Net Equipment Expense	
Direct Equipment	\$ 708,156
Indirect Equipment	45,933
Net Administrative Expenses	
Building	12,077
Engineering	9,484
Office Equipment	7,607
Land Improvements	3,405
Depletable Assets	37,325
Infrastructure Depreciation Expense	<u>3,108,259</u>
Total Depreciation Expense	<u><u>\$ 3,932,246</u></u>

NOTE F--LONG-TERM DEBT

The long-term debt of the Road Commission may be summarized as follows:

	<u>Balance</u> <u>01/01/05</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>12/31/05</u>	<u>Due Within</u> <u>One Year</u>
2 Caterpillar Wheel Loaders Model 950G 950G, \$138,000 Capital Lease Dated May 3, 2002	\$ 56,391	\$ (27,615)	\$ 28,776	\$ 28,776
Vested Employee Benefits Vacation and Sick Leave	<u>267,938</u>	<u>(2,552)</u>	<u>265,386</u>	
Totals	<u><u>\$ 324,329</u></u>	<u><u>\$ (30,167)</u></u>	<u><u>\$ 294,162</u></u>	<u><u>\$ 28,776</u></u>

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

The annual interest and principal requirements of the Road Commission's long-term borrowing may be summarized as follows:

Two Caterpillar Wheel Loaders Model 950G were purchased in March 2002 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$138,000, with 5 annual payments of \$30,220 at an implied interest rate of 4.75%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 12/31/05</u>	<u>Interest Payable if Held to Maturity</u>
03/10/02	\$ 138,000	4.75%	2006	<u>\$ 28,776</u>	<u>\$ 1,445</u>
Total				<u><u>\$ 28,776</u></u>	<u><u>\$ 1,445</u></u>

Vested Employee Benefits

Vacation is earned in varying amounts depending on the number of years of service of an employee and is made available to employees on their anniversary dates. Vacation pay at 100% is payable to the employee when employment is severed. At December 31, 2005, there was \$107,568 recorded as vacation liability.

Union employees--Sick leave is accumulated at the rate of 4 hours per pay period for union employees, not to exceed 760 hours or 95 days. Upon retirement or death of an employee, the employee or his estate shall receive an amount equal to 50% of the sick leave credits at the hourly rate he was paid on the last day worked.

Nonunion employees--Sick leave is earned at a rate of 6 hours per month to a maximum of 54 days. Days in excess of the maximum will be paid off at a rate of 50% annually. Upon retirement or death of an employee with less than 15 years of service, the employee or his estate shall receive an amount equal to 50% of the employee's unused sick leave credits at the rate paid on the last day worked. For employees with 15 or more years of service, the employee or his estate shall receive an amount equal to 60% of the employee's unused sick leave credits at the rate paid on the last day worked to a maximum of 54 days.

At December 31, 2005, there was a total of \$157,818 recorded as sick leave liability for both the union and nonunion employees.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Van Buren County Road Commission pension plan is a single employer-defined benefit plan administered through Fifth Third Bank. The information disclosed, as of December 31, 2005, is based on information provided by Fifth Third Bank. The Fifth Third Bank plan had 52 active participants and 39 retirees as of January 1, 2005, the most recent period for which actuarial data was available. The plan administrator, Fifth Third Bank, did not issue a separate report for the year 2005.

The system provides retirement, disability and death benefits to plan members and their beneficiaries in accordance with the Road Commission labor agreements and personnel policies.

Funding Policy

The Road Commission has the policy to contribute the actuarially determined amount yearly. Fifth Third Bank separately identifies and reports on the contributions and earnings in a "Defined Benefit Pension Plan Account." During 2005, contributions were invested in money market investments, stocks, and bonds.

Contributions

Each employee becoming eligible to participate in the plan is required to contribute a percentage of their compensation equal to 4% or 5% for nonunion and union, respectively. The Road Commission makes contributions in accordance with the minimum recommended employer contribution required by the actuary plan. During the plan year ended December 31, 2005, the Road Commission contributions totaled \$331,912.

Summary of Significant Accounting Policies and Plan Asset Matters

The assets of the pension plan consist of money market investments, stocks, and bonds purchased under the control of Fifth Third Bank. The company currently provides monthly "statement highlights" providing a summary of balances, which provides the income and expense data accounting for the monthly changes in the Group Annuity Contract value for the General Account only. These statements provided for the audit report are effective through December 31 each year.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Schedule of Funding Progress (2)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percent of Covered Payroll
2005	\$ 4,564,620	\$ 5,585,088	82%	\$ (1,020,468)	\$ 1,899,515	54%
2004	4,316,363	5,435,019	79	(1,118,656)	2,001,070	56
2003	3,722,086	5,283,149	70	(1,561,063)	1,981,462	79
2002	3,829,869	4,965,564	77	(1,135,695)	1,825,033	62
2001	3,864,242	4,851,207	80	(986,965)	1,632,963	60
2000	3,721,962	4,543,259	81	(821,297)	1,305,284	62
1999	3,608,460	3,933,107	90	(324,647)	1,395,640	23
1998	3,240,833	3,771,938	86	(531,105)	1,407,036	38
1997	2,910,125	3,251,426	90	(341,301)	1,339,618	25

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	\$ 214,497	\$ 214,497	100%
2004	223,811	223,811	100%
2003	196,981	196,981	100%
2002	166,870	166,870	100%
2001	134,867	134,867	100%
2000	97,809	99,366	100%
1999	120,998	120,998	100%
1998	124,440	124,440	100%
1997	116,211	116,211	100%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of January 1, 2005, the latest actuarial valuation, follows:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	(1)
Remaining Amortization Period	10 years
Asset Valuation Method	Adjusted Market Value
Actuarial Assumptions	
Investment Rate of Return	7%
Projected Salary Increases*	5%

(1) Information not provided in actuarial report.

(2) GASB Statements No. 25 and No. 27 require 10 years of information. Information not available to complete table per GASB Statement No. 25 and GASB Statement No. 27.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--DEFERRED COMPENSATION PLAN

The Van Buren County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with Comprehensive Financial Services, Inc. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTE I--POST-EMPLOYMENT BENEFITS

The Road Commission provides post-employment health and dental care benefits, in accordance with labor contracts and personnel policy, to all employees who retire under the provisions of the Van Buren County Road Commission Pension Plan or completing 15 years of service; after having attained age 62 or more, the Road Commission will pay set premiums as listed below or 100% (depending on the plan) of the premium or subscription rate for the continuance of the hospital and surgical coverage for the employee and his/her then eligible spouse. The Road Commission will also continue to pay set premiums as listed below or 100% (depending on the plan) of the premium or subscription rate for the health insurance for widows of employees who have had 15 or more years of service with the Road Commission or widows of employees who are killed on the job. Currently, 33 retirees met those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission in 2005 totaled \$208,665 less \$883 reimbursed by retirees for a net total cost of \$207,782.

As of January 1, 2005, the Road Commission will begin paying the following maximum contributions toward health, dental and vision insurance premiums:

Single:	Up to \$397/month
Two-Person:	Up to \$911/month
Family:	Up to \$1,048/month

NOTE J--STATE TRUNKLINE

The \$13,830 difference between the State trunkline maintenance revenues of \$222,298 and expenditures of \$208,468 is due to the Michigan Department of Transportation (MDOT) trunkline maintenance audit reports #2000-0565 and #2003-0422 which resulted in a refund to the Road Commission. The refund was appropriately recorded to the State trunkline maintenance revenues.

VAN BUREN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE K--RISK MANAGEMENT

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

The Pool operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

The Road Commission pays an annual premium to the Pool for property coverage (buildings and contents), automobile and equipment liability, trunkline liability, errors and omissions and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Commercial insurance was purchased for health care benefits and workers' compensation insurance through the Accident Fund of Michigan.

At December 31, 2005, there were no claims which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE L--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2005, the Federal aid received and expended by the Road Commission was \$498,146 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

**VAN BUREN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES--BUDGET TO ACTUAL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2005**

EXHIBIT I

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Property Taxes	\$ 1,555,000	\$ 1,577,930	\$ 1,577,932	\$ 2
Licenses and Permits				
Weight Permits	-	-	600	600
Federal Grants				
Surface Transportation Program	638,000	389,000	389,018	18
"D" Funds	599,760	109,000	109,128	128
Critical Bridge	207,000	-	-	-
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	3,385,000	3,410,000	3,452,424	42,424
Local Road	2,272,000	2,290,000	2,263,982	(26,018)
Primary Urban Road	190,000	232,000	241,289	9,289
Local Urban Road	43,000	98,000	103,773	5,773
Snow Removal	50,000	55,100	55,104	4
Critical Bridge	11,500	-	-	-
Economic Development Funds				
Rural Primary (D)	200,000	22,200	22,222	22
Contributions--Local Units				
Townships	3,743,000	3,123,000	3,124,104	1,104
Charges for Services				
State Trunkline Maintenance	200,000	200,000	222,298	22,298
State Trunkline Nonmaintenance	10,000	330,500	330,738	238
Salvage Sales	-	-	7,308	7,308
Interest and Rents				
Interest Earned	50,000	87,113	97,986	10,873
Rents and Royalties			3,558	3,558
Other Revenue				
Contributions From Private Sources		986,514	986,514	-
Reimbursements			711	711
Gain on Equipment Disposal	50,000	113,903	113,903	-
Total Revenue	13,214,260	13,034,260	\$ 13,112,592	\$ 78,332
Other Financing Sources				
Insurance Recoveries	-	47,614	47,614	
Total Revenue and Other Financing Sources	13,214,260	13,081,874	\$ 13,160,206	\$ 78,332
Fund Balance--January 1, 2005	3,600,000	4,097,444		
Total Budget	\$ 16,814,260	\$ 17,179,318		

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2005**

EXHIBIT J

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 2,564,770	\$ 1,592,494	\$ 1,579,019	\$ 13,475
Routine and Preventive	1,843,826	1,757,814	1,716,567	41,247
Local Road				
Construction/Capacity Improvements		984,144	984,144	-
Preservation/Structural Improvements	3,524,409	2,324,637	2,301,125	23,512
Routine and Preventive	4,177,773	4,129,120	4,024,093	105,027
Primary Road Structure				
Routine and Preventive	5,000	3,531	3,013	518
Local Road Structure				
Preservation/Structural Improvements	250,000	180,209	\$ 177,885	2,324
Routine and Preventive	8,448	15,135	14,996	139
State Trunkline Maintenance	200,000	220,000	208,468	11,532
State Trunkline Nonmaintenance	10,000	332,000	330,738	1,262
Equipment Expense--Net	289,966	309,809		
Direct			1,551,175	
Indirect			704,933	
Operating			333,317	
Less: Equipment Rentals			(2,279,978)	362
Administrative Expense--Net	742,608	823,251		
Administrative Expense			846,753	
Less: Handling Charges			(38,429)	
Purchase Discounts			(5,936)	
Overhead--Other			(1,491)	
Overhead--State			-	
Capital Outlay--Net	288,500	490,000		
Capital Outlay			1,327,657	
Less: Depreciation Credits			(823,987)	
Equipment Retirements			(19,265)	5,595
Debt Service				
Principal Payments	27,541	27,615	27,615	-
Interest Expense	2,679	2,604	2,604	-
Contingency	5,000			
Total Expenditures	13,940,520	13,192,363	\$ 12,965,016	\$ 227,347
Fund Balance--December 31, 2005	2,873,740	3,986,955		
Total Budget	\$ 16,814,260	\$ 17,179,318		

The Notes to Financial Statements are an integral part of this statement.

**VAN BUREN COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005**

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 5,030,563	\$ 6,999,052	\$ 1,082,977	\$ 13,112,592
Total Expenditures	4,167,034	8,240,747	557,235	12,965,016
Excess of Revenues Over (Under) Expenditures	863,529	(1,241,695)	525,742	147,576
Other Financing Sources (Uses)				
Insurance Recoveries			47,614	47,614
Optional Transfers	(863,529)	863,529		-
Interfund Adjustments		237,507	(237,507)	-
Total Other Financing Sources (Uses)	(863,529)	1,101,036	(189,893)	47,614
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	-	(140,659)	335,849	195,190
Fund Balance--January 1, 2005	-	140,659	3,956,785	4,097,444
Fund Balance--December 31, 2005	\$ -	\$ -	\$ 4,292,634	\$ 4,292,634

VAN BUREN COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER
FINANCING SOURCES
For the Year Ended December 31, 2005

EXHIBIT L

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Taxes				
Property Taxes	\$ 169,616	\$ 548,414	\$ 859,902	\$ 1,577,932
Licenses and Permits				
Weight Permits			600	600
Federal Grants				
Surface Transportation Program	389,018			389,018
"D" Funds	109,128			109,128
State Grants				
Michigan Transportation Fund				
Engineering	6,040	3,960		10,000
Allocation	3,452,424	2,263,982		5,716,406
Urban	241,289	103,773		345,062
Snow Removal	24,399	30,705		55,104
Economic Development Fund				
Rural Primary (D)	22,222			22,222
Contributions--Local Units				
Townships	63,391	3,060,713		3,124,104
Charges for Services				
State Trunkline Maintenance	222,298			222,298
State Trunkline Nonmaintenance	330,738			330,738
Salvage Sales			7,308	7,308
Interest and Rents				
Interest Earned		3,361	94,625	97,986
Rents and Royalties			3,558	3,558
Other Revenue				
Contributions From Private Sources		984,144	2,370	986,514
Reimbursements			711	711
Gain on Equipment Disposal			113,903	113,903
Total Revenue	5,030,563	6,999,052	1,082,977	13,112,592
Other Financing Sources				
Insurance Recoveries			47,614	47,614
Total Revenues and Other Financing Sources	\$ 5,030,563	\$ 6,999,052	\$ 1,130,591	\$ 13,160,206

VAN BUREN COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2005

EXHIBIT M

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 1,579,019			\$ 1,579,019
Routine and Preventive	1,716,567			1,716,567
Local Road				
Construction/Capacity Improvements		\$ 984,144		984,144
Preservation/Structural Improvements		2,301,125		2,301,125
Routine and Preventive		4,024,093		4,024,093
Primary Road Structures				
Routine and Preventive	3,013			3,013
Local Road Structures				
Preservation/Structural Improvements		177,885		177,885
Routine and Preventive		14,996		14,996
State Trunkline Maintenance	208,468			208,468
State Trunkline Nonmaintenance	330,738			330,738
Equipment Expense--Net (Per Exhibit J)	84,633	182,203	\$ 42,611	309,447
Administrative Expense--Net (Per Exhibit J)	244,596	556,301		800,897
Capital Outlay--Net (Per Exhibit J)			484,405	484,405
Debt Service				
Principal Payments			27,615	27,615
Interest Payments			2,604	2,604
Total Expenditures	\$ 4,167,034	\$ 8,240,747	\$ 557,235	\$ 12,965,016



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 3, 2006

Van Buren County Road Commission
Board of County Road Commissioners
300 James Street
P.O. Box 156
Lawrence, Michigan 49064

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of Van Buren County Road Commission, a component unit of Van Buren County, as of and for the year ended December 31, 2005 and have issued our report thereon dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Van Buren County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters--As part of obtaining reasonable assurance about whether the Van Buren County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements' noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards.

This report is intended solely for the information of the Van Buren County Road Commission management, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', with a long horizontal flourish extending to the right.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division